

Montgomery County backs out of raises for public employees

By Michael Laris
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The Montgomery County Council on Tuesday unanimously declared its intent to break the terms of contracts with public employee unions by freezing pay and ending controversial benefits arrangements known as "phantom" cost-of-living increases.

The collective bargaining agreement with the police union, backed by a recent arbitrator's decision, called for a 3.5 percent raise for members in the fiscal year starting July 1. The contract with the firefighters union called for a 10.5 percent raise for most members.

The council votes, which were required by law, are preliminary. Final decisions will come later this month. But they mark the beginning of a series of difficult decisions after weeks of pained rhetoric, and they signal the council's direction.

The council also indicated Tuesday that it would continue to push for across-the-board furloughs for all county employees, despite the threat of a lawsuit from Montgomery's powerful public school system, which has rejected the unpaid days off.

As they decide how many workers to lay off, how high to boost taxes, which union contract provision to back out of, and where to cut deepest, council members say they are trying to balance many compelling but competing needs.

"There are many moving parts that have yet to be put together," said council President Nancy Floreen (D-At Large). "It's a great jigsaw puzzle -- a Rubik's Cube. We're just starting."

Gino Renne, president of the general government employees union, said it is "premature" to reach any conclusions about final outcomes because county law requires another round of negotiations.

"All unions accept the fiscal challenge. That's clear to us," Renne said. What council members "need to do is let the process play itself out and then we'll see where we are," he said.

Just how do officials who became accustomed to growing government spending in good times now communicate the magnitude of a budget problem that has ballooned into the hundreds of millions of dollars? On Tuesday, some council members did so by talking about how distasteful their choices are.

Council member Marc Elrich (D-At Large) said he regretted having to vote to change the collective bargaining agreements.

"We need to basically own up to the fact that this is an incredibly difficult situation from which there is no other way out," Elrich said.

The labor agreements with the firefighters and police unions, as well as with the Municipal and County Government Employees Organization, which represents general government workers, include retirement contributions based on raises that were not given, which have been dubbed "phantom" cost-of-living adjustments or "ghost" wage adjustments.

The practice was put in place last year as part of an agreement with those three employee unions. In the midst of recession, thousands of workers were given only part of the raises that had been agreed upon. Many workers in nearby jurisdictions received no raises at all. The retirement contributions were a consolation for the partial raises in Montgomery.

Ending the unusual deal would save more than \$7 million in the next fiscal year and at least \$200 million over 40 years, officials said. Council member Phil Andrews (D-Gaithersburg-Rockville) cast the sole vote against the arrangement last year, and proposed legislation to cancel it. County Executive Isiah Leggett (D) negotiated the deal, then changed his mind last month after hearing worsening financial news and concluding that the council would change course.

Council members said circumstances are different now, leading them to switch positions. But they said the arrangement had been unfairly tarred with an ominous moniker.

"The use of the word 'ghost' implies that somebody snuck something in, that somebody did something wrong. I prefer to just say it may be unsustainable," Elrich said.

"There was no funny business. There was no horror story or Halloween trick or treat," said council member George L. Leventhal (D-At Large). "Employees were contractually promised certain pay and certain pension outcomes. We agreed to take away the pay outcome. We did not agree to take away the pension outcome" last year, he said.

Overtaking the pension arrangement would still require passage of Andrews's legislation.

Montgomery's spending on salaries and wages for government and school employees has risen sharply over the past decade, and health and retirement benefits have grown even faster. After adjusting for inflation, spending on salaries has risen by about a third in that period, to more than \$2 billion a year. Health and retirement spending is up by 75 percent, to \$686 million.

The council's push for furloughs to be spread across all county agencies and employees prompted [a fierce pushback](#) by schools officials. A school attorney argued that the council does not have the authority to cut Leggett's suggested school budget, which is \$137.7 million below the schools' request.

But council officials point to a provision in state law that they say clearly indicates the council does indeed have that power. Council attorney Michael Faden said the schools' position is based on a faulty reading of a minimum spending requirement in the law. Council officials said the schools, after accounting for a one-time debt payment, would receive basically the same tax-supported funding they did last year, while other county agencies and departments are forced to make deep reductions.

One plan being considered by the council would require a five-day furlough, which represents a salary cut of 1.9 percent.